UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WISCONSIN

UNITED STATES SECURITIES AND EXCHANGE COMMISSION, **Plaintiff,** **v.** **THE ESTATE OF LOREN W. HOLZHUETER, and ISC, INC. (d/b/a Insurance Service Center),** **Defendants, and** **HONEFI, LLC, ARLENE HOLZHUETER, and AARON HOLZHUETER,** **Relief Defendants.**	**Case No.: 3:15-cv-45-jdp**

RECEIVER'S MOTION TO EMPLOY PROFESSIONALS

Michael S. Polsky, Esq., Court Appointed Receiver for ISC, Inc. ("ISC"), Honefi LLC ("Honefi") and the proceeds from the policies insuring Loren W. Holzhueter's life (the "Life Insurance Proceeds"), hereby requests entry of an Order authorizing the Receiver to employ the following professionals: (a) Beck, Chaet, Bamberger & Polsky, S.C. ("BCBP") as counsel to the Receiver; (b) CMGWI, LLC d/b/a Cowie Management Group ("Cowie") as the Receiver's consultant; (c) Kutchins, Robbins & Diamond, Ltd. ("KRD") as the Receiver's Tax Administrator; and (d) Kravit, Hovel & Krawczyk, S.C. ("KHK") as special counsel to the Receiver. The Receiver proposes to retain these professionals for the specific purposes described below in order to assist the Receiver in performing his duties as set forth in this Court's Order Appointing Receiver entered October 20, 2016. (Docket No. 196.)

Background

1. On January 21, 2015, the Commission sued Loren W. Holzhueter and ISC, alleging that they were engaged in an ongoing Ponzi scheme that raised at least $10.4 million from investors. (Docket No. 1.) The Complaint included Honefi as a Relief Defendant. Following Loren W. Holzhueter's death, the Commission filed an Amended Complaint that: (a) substituted the Estate of Loren W. Holzhueter (the "Estate") as a defendant; and (b) added Aaron Holzhueter and Arlene Holzhueter (Loren W. Holzhueter's son and wife) as relief defendants. (Docket No. 53.)

2. In the Complaint and Amended Complaint, the Commission alleges that Loren W. Holzhueter and ISC raised millions of dollars from investors through fraudulent means. (Docket Nos. 1 and 53.) The Commission contends that Loren W. Holzhueter and entities that he owned or controlled, including ISC and Honefi, obtained more than $26 million from investors in connection with this scheme; that ISC made repayments to investors totaling at least $12 million; and that investors still have net losses of at least $13.9 million. Individuals who provided funds to Loren W. Holzhueter or entities that he owned or controlled pursuant to the fraudulent means alleged in the Complaint and Amended Complaint are hereinafter referred to as "Investors."

3. On November 2, 2015, the Court entered partial judgments by consent against ISC and the Estate in which it ordered that any award of civil penalties and disgorgement of ill-gotten gains would be determined by the Court upon the Commission's Motion for Remedies. (Docket Nos. 80 and 81.)

4. On June 2, 2016, the Commission filed an unopposed Motion seeking entry of Consent and Final Judgments against the Estate, Honefi and Arlene Holzhueter in which they consented to entry of final judgment which, among other relief, requires them to disgorge Loren

W. Holzhueter's ill-gotten gains by relinquishing: (a) the Life Insurance Proceeds; (b) loans made or money provided to ISC; (c) any ownership interest in ISC; (d) any ownership interest in Honefi; and (e) Loren W. Holzhueter's marital interest in certain bank accounts held jointly with Arlene Holzhueter. (Docket Nos. 145-1, 145-3, 145-4, 145-6.)

5. On October 20, 2016, the Court entered Final Judgments against the Estate and Relief Defendants Honefi and Arlene Holzhueter.

The Receivership

6. On July 15, 2016, the Commission filed a Motion for the Appointment of a Receiver, requesting that a Receiver be appointed to preserve the assets to be distributed to Investors and creditors of ISC and Honefi, to ensure that the sales of ISC and Honefi are arms-length transactions that maximize funds available to Investors and other creditors, to provide insight as a neutral third party in administering competing claims and making decisions regarding the preservation and distribution of the assets of the Receivership Estate, and to create a streamlined, efficient process for distributions to Investors and other creditors and to ensure that the process is equitable and transparent.

7. After conducting extensive research and interviewing several individuals, the Commission recommended that the Court appoint Michael S. Polsky, Esq., to serve as the Receiver. This recommendation was based on Mr. Polsky's extensive experience serving as a state court receiver in cases arising under Chapter 128 of the Wisconsin Statutes and as a creditor trustee in Chapter 11 cases. In addition, Mr. Polsky and his partners have considerable experience in representing buyers and sellers of businesses similar to ISC.

8. As part of the interview process, Mr. Polsky submitted an Application to the Commission which included information on Mr. Polsky's experience and qualifications, a

tentative outline of initial steps Mr. Polsky would take once appointed, an agreement to be bound by the Billing Instructions for Receivers in Civil Actions Commenced by the U.S. Securities and Exchange Commission (the "SEC Billing Instructions"), as well as a completed Conflict of Interest Form and Non-Disclosure Agreement.

9. On October 20, 2016, the Court entered an Order Appointing Receiver whereby Michael S. Polsky, Esq., was appointed Receiver of ISC, Honefi and the Life Insurance Proceeds. The Order Appointing Receiver tasks the Receiver with developing a plan for: (i) the distribution of the Life Insurance Proceeds and other funds deposited with the registry of the Court to Investors ("Phase 1 Distribution"); and (ii) the fair, reasonable and efficient recovery, preservation, sale and distribution of ISC and Honefi and/or their assets, in a manner designed to maximize the value to Investors and other creditors ("Phase 2 Distribution"). (Docket No. 196.)

10. The Receivership Estate consists of: (a) the Life Insurance Proceeds and other funds initially deposited with the registry of the Court; (b) certain marital interests in bank accounts; (c) the assets of ISC; and (d) the assets of Honefi.

11. Among other things, the Order Appointing Receiver authorizes the Receiver "to engage and employ, with prior approval of the Court, any individuals or entities the Receiver deems reasonably necessary to assist with his duties described herein ("Retained Personnel")." (Docket No. 196.) In order to effectively administer the distribution of the Life Insurance Proceeds ("Phase 1 Distribution"), as well maximize the value of the assets of ISC and Honefi and liquidate those assets for the highest possible amount, the Receiver seeks the Court's approval for the engagement of BCBP, Cowie, KRD and KHK to assist in performing the duties described more fully below.

BCBP

12. The Receiver seeks to employ BCBP, the law firm in which the Receiver is a principal and the head of the firm's receivership practice group, as counsel for the Receiver for the purpose of handling various legal matters affecting these proceedings. Prior to the appointment of the Receiver, BCBP agreed to be bound by the SEC Billing Instructions, as well as the compensation procedures outlined in Section XII.61-67 of the Order Appointing Receiver (the "Compensation Procedures"). (Docket No. 196.) The current hourly rates for attorneys at BCBP range from $285 - $410 per hour and $185 - $210 per hour for paralegals. These rates are BCBP's standard hourly rates for all matters and do not reflect any premium or discount.

13. The Receiver has ensured that there are no conflicts of interest between him, BCBP and the defendants and parties-in-interest in this matter by running a conflicts check using BCBP's conflicts software. Furthermore, as stated above, the Receiver has executed the Conflict of Interest Form and Non-Disclosure Agreement which were drafted by the Commission.

Cowie

14. Cowie was employed by ISC as a financial consultant after the commencement of this case and before the appointment of the Receiver. The Receiver seeks to employ Cowie to continue overseeing the operations of ISC and to assist in preserving and maximizing the value of ISC's assets so that they may be liquidated for the highest possible amount, as required by the Order Appointing Receiver. (Docket No. 196.) Cowie will also assist the Receiver in providing due diligence information to prospective purchasers of ISC and Honefi. To perform the tasks described above, Cowie will be paid at an hourly rate of $150. Cowie was provided with a copy of the SEC Billing Instructions as well as the Compensation Procedures. Also, Cowie will respond to requests for assistance from the Receiver related to Investors' Objections to Initial

Claim Determinations. Cowie's assistance will allow the Receiver to efficiently complete his obligations under the Order Appointing Receiver, including the sale of ISC and successfully completing the Phase 1 Distribution. (Docket No. 196.)

KRD

15. The Receiver seeks to employ KRD as Tax Administrator, pursuant to Section III.10 of the Order Appointing Receiver, for the purposes of fulfilling all tax reporting requirements in connection with the distribution of the Life Insurance Proceeds and other liquid assets that may be distributed pursuant to the Phase 1 and Phase 2 Distribution . (Docket No. 196.) Neither KRD nor the Receiver will file any federal or state income tax returns for the Estate, Honefi or ISC.

16. KRD's standard hourly rates range from $185 to $335 per hour, plus out-of-pocket costs. KRD was provided with a copy of the SEC Billing Instructions as well as the Compensation Procedures.

KHK

17. KHK acted as counsel to ISC, Honefi, Arlene Holzhueter and the Estate prior to the Receiver's appointment. Following the Receiver's appointment, KHK assisted the Receiver in the transition and with his assumption of duties under the Order Appointing Receiver, including the administration and operation of the Receivership Estate. The Receiver seeks to continue to employ KHK to further assist with limited transition-related legal matters affecting these proceedings. KHK's in-depth knowledge of the background and complexities of this case will aid the Receiver in completing his duties as efficiently as possible. KHK will not be representing the Receiver with respect to the appeal currently pending in the Seventh Circuit Court of Appeals, *Groth et al.*, Appeal Nos. 16-3951, 16-3952 and 16-3953.

18. KHK continues to represent Arlene Holzhueter individually; however, such representation is unrelated to the Receiver's duties under the Order Appointing Receiver, and therefore, does not present a conflict of interest. KHK fees will range from $205 to $495 per hour for attorneys, and $165 per hour for paralegals. KHK was provided a copy of the SEC Billing Instructions and the Compensation Procedures.

Respectfully submitted this 16th day of January, 2017.

/s/ *Michael S. Polsky*
Michael S. Polsky, Esq.
State Bar No. 1016921
mpolsky@bcblaw.net
Beck, Chaet, Bamberger & Polsky, S.C.
Two Plaza East, Suite 1085
330 East Kilbourn Avenue
Milwaukee, WI 53202
Telephone: 414-273-4200
Facsimile: 414-273-7786